

On-site Septic Workgroup – Meeting #2
Padilla Bay National Reserve Conference Room
August 1, 2006
10:00am – 3:00pm

Participating Jurisdictions

| | |
|-------------------------|---------------|
| Ecology/WQP | EPA |
| Seattle KC Health Dept. | Island County |
| WA DOH | PSAT |
| Skagit Co. Health | |

- Information on uses and limitations of the State Revolving (SRF) and Centennial Clean Water (Centennial) funds with respect to the On-site Septic (OSS) Pilot Program was presented to the OSS stakeholder workgroup.

The following state statutes and federal regulations were substantiated by attendees in a meeting held on July 27, 2006 with the Office of Financial Management, State Attorney General, State Treasurer, Ecology's Fiscal Office, PSAT, and EPA.

- Current state statutes and federal guidelines include the following definitions and restrictions:
 - Qualified SRF recipients:
 1. Recipients of SRF funds must be a *public body* (Washington state, county, city or town, conservation district, other political subdivision, municipal corporation, quasi-municipal corporation, and those Indian tribes recognized by the federal government);
 2. Recipients must demonstrate a dedicated source of repayment - Washington state statute requires general obligation or a dedicated revenue stream;
 3. Reimbursement of SRF funds is on actual cost-incurred basis;
 4. Loan repayments begin 1 year after project completion;
 5. A local loan project must be completed in 5 years or less from loan origination date.
 - Qualified Centennial grant recipient requirements under current state statute:
 1. Must be a *public body* (as described above).
 - Statewide linked-deposit program:
 1. Need statutory change to develop a linked-deposit program administered by Washington State's Treasurer and Ecology.

- Future regional program:
 1. Ecology-operated regional grant/loan program which lends directly to homeowners is not a viable or feasible option at this time.

- As a result of the July 27, 2006 meeting with the State Treasurer, Attorney General, EPA , and Ecology's Fiscal and Water Quality managers, the following outcomes provide direction for implementation of the On-site Septic Repair and Replacement Pilot Program:

1. **Enhance the current Ecology Water Quality Financial Assistance Program;**

2. **Optional use of an outside institution as an administrator of funds.**

- **Enhanced OSS Pilot Program** – Following is an outline of Ecology's Water Quality On-site Septic Repair and Replacement Program as recommended by the On-site Septic Advisory Workgroup. The enhanced financial assistance program retains compliance with current state statutes and federal regulations. This program utilizes \$6.0M SRF and \$1.5M Centennial funds as appropriated in the 2005-07 Biennium budget. Listed below are highlights of the pilot program:
 - A competitive application process which includes rating and ranking criteria on the following: Puget Sound region water quality protection; demonstration of local jurisdictions' readiness to proceed; and probability of scheduled operation and maintenance of repaired systems;
 - Adjustable interest rate (as low as 0%) on SRF loan amounts based upon weighted percentage of assistance directed towards financially distressed homeowners;
 - Loan/grant (5:1) match ratio which considers the twelve counties and Tribes in the Puget Sound region:
 - At a minimum, a 50/50 loan to grant match is required. For example, a \$50,000 SRF loan must be taken in conjunction with the \$50,000 grant distribution.
 - Under the current provisions, jurisdictions can borrow up to \$250,000 in SRF and receive a \$50,000 Centennial grant.
 - If there is a limited demand for funds, based on applications received, grant and loan ceiling amounts will be increased. Applicants are encouraged to apply for all needed funding for the project.
 - An additional grant amount of 7% (of total Loan/Grant combination) will be awarded for OSS program administration costs for the following (but are not limited to):
 - Program development and implementation
 - Enhancement of current programs
 - Program management and administration

- Jurisdictions can use an outside administrator of funds based upon a local agreement in a Memorandum of Understanding (MOU);
 - Hood Canal Consortium – The three Hood Canal counties, Mason, Kitsap, and Jefferson, have indicated they are interested in a regional program for the Hood Canal. This program offers the local jurisdictions the freedom to utilize a private institution for administration and management of the loan program. ***It is important to understand the original SRF loan agreement continues to be between the Department of Ecology and the county. The county has the flexibility, under a Memorandum of Understanding contract, to utilize a private institution as a loan program administrator.***
 - The workgroup discussed setting aside a percentage of homeowner loans into a dedicated reserve account within the local loan program, as a means to secure potential default loans.
 - Acceptable use of SRF/Centennial funds
 - Billable amount with individual projects
- Loan/Grant Application
- Competitive process with established criteria for Ecology's OSS Pilot Program
 - Proposed timing for current OSS loan/grant applications:
 - August 24 Application out to recipients
 - September 29 Recipients application to Ecology
 - October 16 Offers made to recipients
 - December 29 Deadline to accept offer